book, thereby misappropriating ₹ 15.16 lakh. The receipt-wise misappropriation ranged between ₹ 1,000 and ₹ 60,000[1].

Cross-examination of the remittance letters and the original cash receipts held by Sub-Division V with the cash book of Division I revealed that while the Cashier acknowledged the actual cash receipts (in GAR 5), he manipulated the transactions subsequently by posting/recording reduced amount in the counterfoils of GAR 5 as well as the cash book and misappropriated the difference.

Further, being the drawing and disbursing officer, the Executive Engineer (EE), PWD Division I was duty-bound to attest all the entries in the cash book. However, this was not done regularly, thus, violating the provisions of Government of Goa (Receipts and Payments) Rules, 1997. Besides, neither the EE nor any designated authority of Division I cross-checked/verified the cash book entries or the amounts recorded in the counterfoils with those mentioned in the remittance letters issued by Sub-Division V. Gross negligence on the part of the appropriate authorities allowed the misappropriation to go undetected over five years.

PWD Division I confirmed the audit findings in September 2018. The accused Cashier was placed (December 2018) under suspension by the PWD and the matter had been referred to the Anti-Corruption Branch (ACB), Directorate of Vigilance for further investigations. The ACB registered a First Information Report in February 2019 and investigations were in progress as of March 2020.

Thus, lack of monitoring and failure to follow the prescribed control procedures facilitated misappropriation of Government receipts of ₹ 15.16 lakh by the Cashier.

The matter was referred to the Government in July 2019; their reply was awaited (March 2020).

PUBLIC HEALTH DEPARTMENT

1.6 Excess payment to the supply contractor on purchase of medicines

Non-deduction of Excise duty component from prices of purchased medicines after implementation of GST as per procedure prescribed by Government resulted in excess payment to the supply contractor.

Upon implementation of GST, several taxes including Central Excise Duty were subsumed in the GST. In order to regulate the payments for works or supplies where tenders had been finalised by Government departments on the basis of cost worked out prior to implementation of GST, but the actual supplies were to be made post implementation of GST, the Government of Goa issued detailed guidelines (November 2017). As per the guidelines with regard to procurement of any materials, the rate quoted by the contractor shall be reduced by the relevant duties and taxes including Excise Duty which was included in the cost worked out prior to GST regime, and thereafter appropriate incidence of GST shall be applied and payments made.

[1] Receipt No. 471/2 dated 30/05/2013 (for ₹ 1,000) and Receipt No. 720/36 dated 05/06/2017 (for ₹ 60,000)

Goa Medical College and Hospital (GMCH) finalised tenders for supply of medicines, surgical items and chemicals required by the Goa Medical College & Hospital (GMCH) on 16 May 2017. These tenders were received prior to implementation of GST and the medicine prices tendered included an excise duty component. The GMCH placed the supply orders with effect from October 2017. As Goods and Services Tax (GST) was implemented with effect from 01 July 2017, the supplies attracted GST. Therefore, payments against these supplies should have been made by adopting the above procedure prescribed by the Government. However, GMCH paid the suppliers at the prices fixed by contract after adding GST, but without reducing the Excise Duty component which was included in the tendered prices.

As per the Central Excise Act, Excise Duty on Medicines is assessed on the basis of Maximum Retail Price (MRP). After allowing an abatement of 35.5 *per cent* of MRP, the duty was calculated at the rate of six *per cent* on 64.5 *per cent* of the MRP.

Audit test checked the supplies made by three out of 17 vendors during the period April 2018 to February 2019 (up to 20 February 2019) and found that these vendors supplied medicines against 277 invoices amounting to ₹ 6.45 crore[2] at prices which included Excise Duty (ED) component. As the ED component was embedded in the tendered rates, GST was also paid on the ED component. While the amount of ED included in the tendered rate worked out to ₹ 89.38 lakh, GST incorrectly paid on ED component worked out to ₹ 10.61 lakh.

Thus, the non-deduction of ED component included in prices after introduction of GST on purchase of medicines, as per procedure prescribed by Government, resulted in excess payment to the supply contractors to the extent of ₹ 99.99 lakh in purchases worth ₹ 6.45 crore.

GMCH replied that the suppliers are not manufacturers and they have supplied medicines at institutional rates provided by the company. With the implementation of GST they received goods at the same quoted price with applicable GST. Their tender rates included basic rate with their margin amount + applicable local taxes. Hence, GMCH replaced GST extra in place of VAT extra in the supply orders. Hence no excess payment.

The tenders were finalised before introduction of GST when excise duty was levied as per law and so had to be included in quoted prices but the supply was made when excise duty had been abolished. To prevent extra payment due to this very reason the Government had issued guidelines to all departments. The GMCH was bound to follow the same, irrespective of what payment had been made by their vendor to the manufacturer. Any abolished duty charged by the manufacturer had to be settled by the vendor with the manufacturer. There was no occasion for GMCH to follow any procedure other than that prescribed by the Government. Therefore, the response by GMCH is not tenable.

The matter was referred to the Government in July 2019; their reply was awaited (March 2020).

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[2] Actual supplies of ₹ 6.45 crore delivered by three vendors during April 2018 to 20 February 2019 against the supply orders of ₹ 10.37 crore issued to them was commented